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Singlaub Suggested an Earlier Fund Diversion

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Retired Army major general John K. Singlaub, who directed a highly visible campaign to raise private funds for the Nicaraguan rebels from 1984 to 1986, said he also solicited two foreign governments for donations, and suggested that he could help them conceal their contributions from Congress by overcharging them on an arms deal and diverting the proceeds.

In a recent interview, Singlaub said he discussed his diversion plan, which ultimately was rejected by both countries in favor of other forms of contributions, with Lt. Col. Oliver L. North, then a National Security Council aide who was coordinating White House efforts to sustain the rebels during a congressional ban on U.S. military aid.

"I said, 'Do you think this will work?' And he probably said, 'Yeah,'" Singlaub recalled of the conversation, which he said took place in early 1985.

Singlaub's plan is strikingly similar to what allegedly happened nearly a year later in the sale of U.S. arms to Iran, when North arranged for weapons to be sold at inflated prices, creating a pool of money that could be used to buy arms for the Nicaraguan rebels, also known as contras.

The origin of the Iran arms sale diversion has been one of the major unanswered questions since the diversion became public and North was fired on Nov. 25. The Tower commission report, the definitive account thus far of the Iran-contra affair, suggests that North got the idea from Amiran Nir, an Israeli official who was assisting him with the Iranian arms deals.

"North said the diversion was an Israeli idea; that the Israelis wanted to be helpful," the Tower report

said, citing the testimony of Attorney General Edwin Meese III, who interviewed North two days before his firing.

North told Meese that the Israeli official proposed the idea of a diversion in January 1986. Yet, by Singlaub's account, Singlaub had already outlined such a concept—using countries other than Iran—much earlier.

Singlaub, who once worked for the Central Intelligence Agency, was chief of staff of U.S. forces in South Korea until President Carter fired him in 1977 for criticizing Carter's proposal to remove troops from Korea. He is an ardent anti-communist who is credited with raising more than \$10 million in private contributions for the contras. In 1985, he also helped the contras buy \$5.3 million worth of East Bloc weapons, which were shipped through Honduras.

Singlaub, while agreeing to discuss his diversion plan for the first time, declined to identify the two nations from which he solicited funds, saying he did not want to betray friends and sources.

Informed sources, however, identified the countries as Taiwan and South Korea. Officials from those countries denied contributing to the contras and said they had no knowledge of any solicitation by Singlaub.

The Tower commission report, however, said "the contras eventually received funds from both foreign governments." It does not identify the countries or specify the amount of the contributions. It also appears that the commission was unaware of Singlaub's diversion idea.

One investigator said that the Taiwan contribution came in the form of surplus light arms and that the CIA station chief in Taiwan had acted as a "facilitator" in the transfer to the contras. The CIA station chief acted outside normal channels, the investigator said, and the CIA is aware of his activities.

Singlaub said he sought about \$10 million from each country while visiting them in late 1984. He said he suggested three options: send a direct contribution to the contras, give him money so he could buy weapons for them, or participate in a diversion. He declined to name the officials with whom he dealt, saying only that they had enough authority to make a decision on their country's behalf.

He said he never presented the countries with a detailed diversion plan. But in each case, he said, he knew of weapons deals already under way that could be used as a cover for a diversion.

"What I believe I said was that 'There are expensive items that are being purchased from our government and private organizations,'" he recalled. "If I make an arrangement with them, would you be interested in this process as a means of getting the money to us [for contra weapons purchases] through a private concern that is handling the deal?"

Although both countries showed a willingness to make donations—which is noted in the Tower report—Singlaub said they were non-committal about what method they would use. He said he left them a 3-by-5 index card with the number of the contras' Panamanian bank account and had no further conversations.

In the case of Taiwan, Singlaub had a specific weapons deal in mind as a candidate for a diversion. He knew that a Washington-based consulting company, which he served as an unpaid adviser, was attempting to broker the sale of 40 American-built MK 37 torpedoes from Israel to Taiwan.

Israel's price for the torpedoes was \$72 million to \$75 million. Singlaub envisioned that Taiwan would pay about \$10 million above Israel's price, which would go to the contras after the broker took the normal commission fee.

Neither the Israeli government nor the broker was told of his proposed diversion plan, Singlaub said.

There is some evidence that Israel and Taiwan were negotiating a torpedo deal in 1985. Israel authorized the Washington-based broker to handle the deal and the Israeli government notified the U.S. government of its intentions because the torpedoes were American-made, according to sources familiar with the deal.

Israeli sources said the U.S. government would not allow the sale. But other sources said that Singlaub was confident that he would get such permission from high-level officials—if it became necessary.

Singlaub said he had no particular weapons deal in mind for the other foreign government.

He said he proposed the diversion idea because he knew both countries were concerned about offending Congress, which had imposed a direct ban on U.S. military aid to the contras. This was particularly important in the case of Taiwan, which last year purchased \$750 million worth of weapons from the United States.

"I wanted to establish a mechanism where the country would not be embarrassed by making a clearly

direct contribution and having it detected [and cause ramifications in] Congress," Singlaub said. "I wanted to provide justification for a government that wanted to help but didn't want it known publicly."

Singlaub said he kept North informed of his efforts. "I didn't necessarily [need] to get his approval," he said. "I believe in one of our conversations he asked [me to] explain what I had done and explain to whom I had spoken Usually [North's response] was just, 'I have no objection.' 'I hear what you're saying.' 'I understand what you're doing.'"

North also kept his superior, then-national security adviser Robert C. McFarlane, informed about Singlaub's activities. He wrote McFarlane a note about Singlaub's effort on Feb. 6, 1985, according to the Tower report, but did not mention the diversion option.

Singlaub said he has no second thoughts about his solicitations. He said he believed he was helping "to carry out the president's policy."

"I got my guidance listening to his Saturday morning radio speeches," Singlaub said.

Staff researcher Ferman Patterson contributed to this report.